

Message Text

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ACTION EB-11

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R 191900Z SEP 73

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 2493

INFO AMEMBASSY GUATEMALA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

AMEMBASSY SAN JOSE

UNCLAS SECTION 1 OF 2 MANAGUA 3809

GUATEMALA FOR ROCAP; SAN SALVADOR FOR AGRICULTURE ATTACHE

E. O. 11652: N/A

TAGS: ETRD, ECON, EAGR, NU

SUBJECT: ECONOMIC/COMMERCIAL HIGHLIGHTS, SEPTEMBER 1-15, 1973

SUMMARY. CENTRAL BANK PRELIMINARY TRADE DATA FOR FIRST HALF SHOW 18 PERCENT INCREASE IN EXPORTS, 2 PERCENT INCREASE IN IMPORTS, AND 58 PERCENT INCREASE IN TRADE SURPLUS, SURVEY OF LOCAL BUSINESS SHOWS A BRIGHT SECOND QUARTER, 73-74 COFFEE CROP ESTIMATED AT 700,000 CWT., HEAVY RAINS DAMAGE GRAIN CROPS, CHAMBER OF COMMERCE CENTRO COMERCIAL HAS SUCCESSFUL PROMOTION. END SUMMARY.

1. FIRST HALF TRADE DATA. THE CENTRAL BANK HAS COMPLETED ITS QUOTE PRELIMINARY UNQUOTE REPORT ON FOREIGN TRADE FOR THE FIRST HALF OF THIS YEAR. IT SHOWS TOTAL EXPORTS OF \$167.4 MILLION, UP 18.2 PERCENT OVER THE COMPARABLE PERIOD IN 1972; TOTAL IMPORT OF \$104.9 MILLION, UP 2.0 PERCENT; AND A POSITIVE TRADE UNCLASSIFIED

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BALANCE OF \$61.8 MILLION, UP 58 PERCENT. MOST OF THE

TRADE GROWTH WAS OUTSIDE CENTRAL AMERICA AS EXPORTS TO THE CACM DECLINED 2.0 PERCENT; AND IMPORTS FROM THE CACM DROPPED 4.2 PERCENT RESULTING IN A POSITIVE BALANCE OF JUST OVER \$600 THOUSAND. ON THE EXPORT SIDE, THE BIGGEST INCREASES WERE RECORDED IN COFFEE, BANANAS, MEAT AND CHEMICAL PRODUCTS. THE CENTRAL BANK STUDY DID NOT BREAK DOWN IMPORT DATA BY PRODUCT. HOWEVER, STATISTICS RELEASED BY THE PORT OF CORINTO FOR THE FIRST SIX MONTHS SHOW SUBSTANTIAL VOLUME INCREASE IN IMPORTS OF FERTILIZERS, IRON AND STRUCTURAL STEEL AND GENERAL MERCHANDISE. THE DATA IN THE CENTRAL BANK STUDY IS MORE REFINED AND PROBABLY MORE ACCURATE THAN THE QUOTE FIRST PRELIMINARY UNQUOTE DATA REPORTED MANAGUA 3457, FROM WHICH IT VARIES ONLY SLIGHTLY.

2. QUESTIONNAIRE ON LOCAL BUSINESS CONDITIONS:

A. RESPONSES TO A QUESTIONNAIRE CIRCULATED AMONG LOCAL BUSINESSMEN AND MANUFACTURERS BY THE ECON/COMM SECTION SHOW, NOT SURPRISINGLY, THAT BUSINESS WAS MUCH BETTER IN THE SECOND QUARTER OF 1973 AS COMPARED TO THE FIRST. 88 PERCENT OF THE RESPONDENTS SAID SALES WERE UP IN THE SECOND QUARTER AS COMPARED TO THE FIRST. 60 PERCENT OF THE MANUFACTURERS SAID PRODUCTION WAS UP, WHILE THE OTHER 40 PERCENT SAID IT WAS UNCHANGED. INVENTORIES WERE UP FOR 67 PERCENT, EQUAL FOR 21 PERCENT AND DOWN FOR 12 PERCENT. 92 PERCENT REPORTED THAT FOREIGN SUPPLIERS HAD RAISED PRICES, 81 PERCENT THAT LOCAL SUPPLIERS HAD DONE THE SAME, AND 55 PERCENT THAT THEY THEMSELVES HAD FOLLOWED SUIT. SALARY INCREASES WERE REPORTED BY 50 PERCENT.

B. WITH RESPECT TO SALES BEFORE AND AFTER THE EARTHQUAKE, A SURPRISING 73 PERCENT OF THE RESPONDENTS SAID SALES SINCE THE EARTHQUAKE HAD IMPROVED. 65 PERCENT SAID THAT THEY WERE OPERATING IN SMALLER FACILITIES THAN BEFORE WHILE 17 PERCENT WERE IN LARGER QUARTERS AND 17 PERCENT IN THE SAME LOCATION. 38 PERCENT ALREADY HAD MOVED INTO LARGER QUARTERS WHILE 73 PERCENT HAD PLANS TO BEGIN BUILDING BY EARLY 1974 OR SOONER.

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C. RESPONSES TO ONE QUESTION, WHILE NOT SURPRISING, WERE HEARTENING. 61 PERCENT OF THE RESPONDENTS SAID THAT THEY HAD ALREADY INCREASED PURCHASES FROM THE U.S. AS COMPARED TO OTHER COUNTRIES SINCE THE 73 DOLLAR DEVALUATION AND 93 PERCENT SAID THEY INTEND TO DO SO.

3. COFFEE. A SPOKESMAN OF THE NICARAGUAN COFFEE

INSTITUTE ESTIMATES THAT FUTURE CONTRACTS HAVE BEEN SIGNED FOR 75,000 CWT. OF THE 1973-74 CROP AT 63 DOLLARS OR MORE PER CWT AND THAT THE EXPORTABLE CROP IS EXPECTED TO AMOUNT TO 700,000 CWT. A LOCAL COFFEE BROKER CONFIRMED THAT FUTURE SALES WERE BELOW NORMAL AND SAID THAT UNCERTAINTY ABOUT THE WORLD MARKET WAS DISCOURAGING BOTH BUYERS AND SELLERS.

4. REVISED WEATHER REPORT - OR WE SPOKE TOO SOON. TWO WEEKS OF CONTINUAL HEAVY RAIN AT THE END OF AUGUST AND THE BEGINNING OF SEPTEMBER CAUSED CONSIDERABLE DAMAGE TO CROPS. AFTER THE SUN CAME OUT AGAIN, THE MINISTRY OF AGRICULTURE CONDUCTED A CROP SURVEY AND DISCOVERED THAT DAMAGE WAS HEAVIEST TO BEANS, FOLLOWED BY CORN AND SORGHUM, IN THE DEPARTMENTS OF CHONTALES, MATAGALPA, CARAZO AND MASAYA. THE MINISTRY SAID THAT ABOUT 5000 MANZANAS OF BEANS (1 MANZANA EQUALS 1.75 ACRES) WERE COMPLETELY LOST. THIS AMOUNTS TO ABOUT 14 PERCENT OF THE TOTAL AREA PLANTED TO BEANS. ABOUT 3600 MANZANAS OR 2 PERCENT OF THE TOTAL CROP OF CORN WAS DAMAGED, BUT SOME OF IT COULD STILL BE USED FOR ANIMAL FEED. ONLY 400 MANZANAS, OR SLIGHTLY MORE THAN ONE PERCENT OF THE SORGHUM CROP, WAS LOST, AN ESTIMATED 5,500 SMALL FARMERS WERE AFFECTED. THE MINISTRY DETERMINED THAT RICE AND COTTON WERE NOT SERIOUSLY HURT. IN ANNOUNCING THE RESULTS OF THE SURVEY, THE MINISTER OF AGRICULTURE POINTED OUT THAT THERE WAS STILL TIME TO REPLANT BEANS, PROMISED MINISTRY ASSISTANCE AND URGED FARMERS TO PLANT AGAIN IMMEDIATELY.

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UNCLAS SECTION 2 OF 2 MANAGUA 3809

5. COMMERCE: THE APPROXIMATELY 125 STORES NOW OPEN IN THE CHAMBER OF COMMERCE'S CENTRO COMERCIAL REPORTED SALES AT THE END OF A TWO WEEK JOINT PROMOTION OF OVER 4 MILLION CORDOBAS (570 THOUSAND DOLLARS). MEANWHILE, THE CHAMBER OF COMMERCE ANNOUNCED THAT AS OF JUNE THIS YEAR THERE WERE 1404 COMMERCIAL ESTABLISHMENTS REGISTERED WITH THE CHAMBER, AS COMPARED TO 2039 IN JUNE OF LAST YEAR. SINCE MANY STORES HAVE REOPENED IN MANAGUA SINCE JUNE, REGISTRATIONS HAVE PROBABLY RISEN SUBSTANTIALY.
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